

Sixel Consulting Group, Inc.

Northwest Arkansas Regional Airport Airline Industry and Air Service Development Overview



Michael Lum

**Air Service Strategy and Development Consultant
Sixel Consulting Group, Inc.**

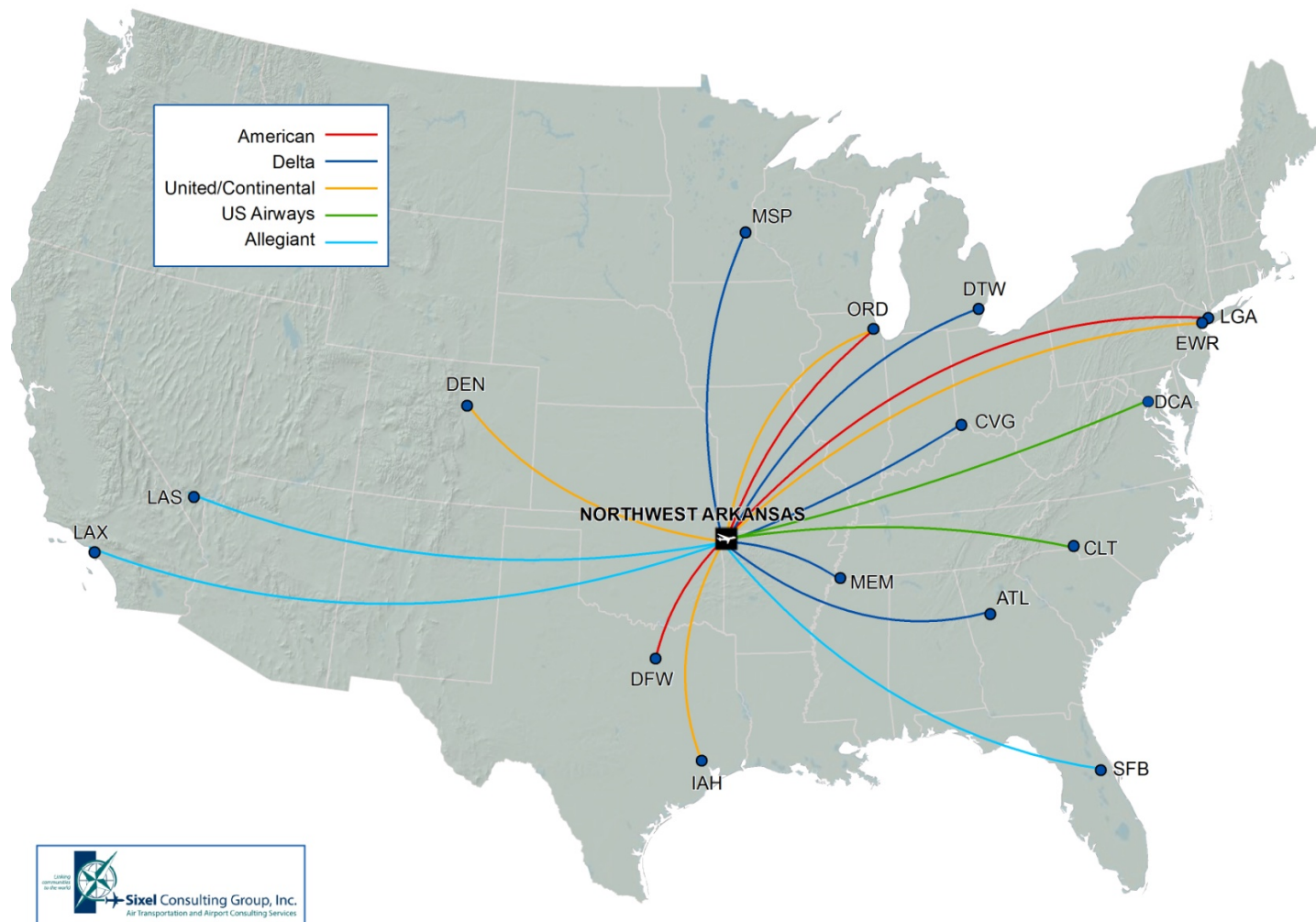
August 2012

Today's Discussion

- Airline Industry Update
- Traffic Leakage and Retention at Northwest Arkansas
- Ten-Year and Recent Quarterly Traffic and Fare Trends at Northwest Arkansas
- Northwest Arkansas Air Service Development Targets and Initiatives

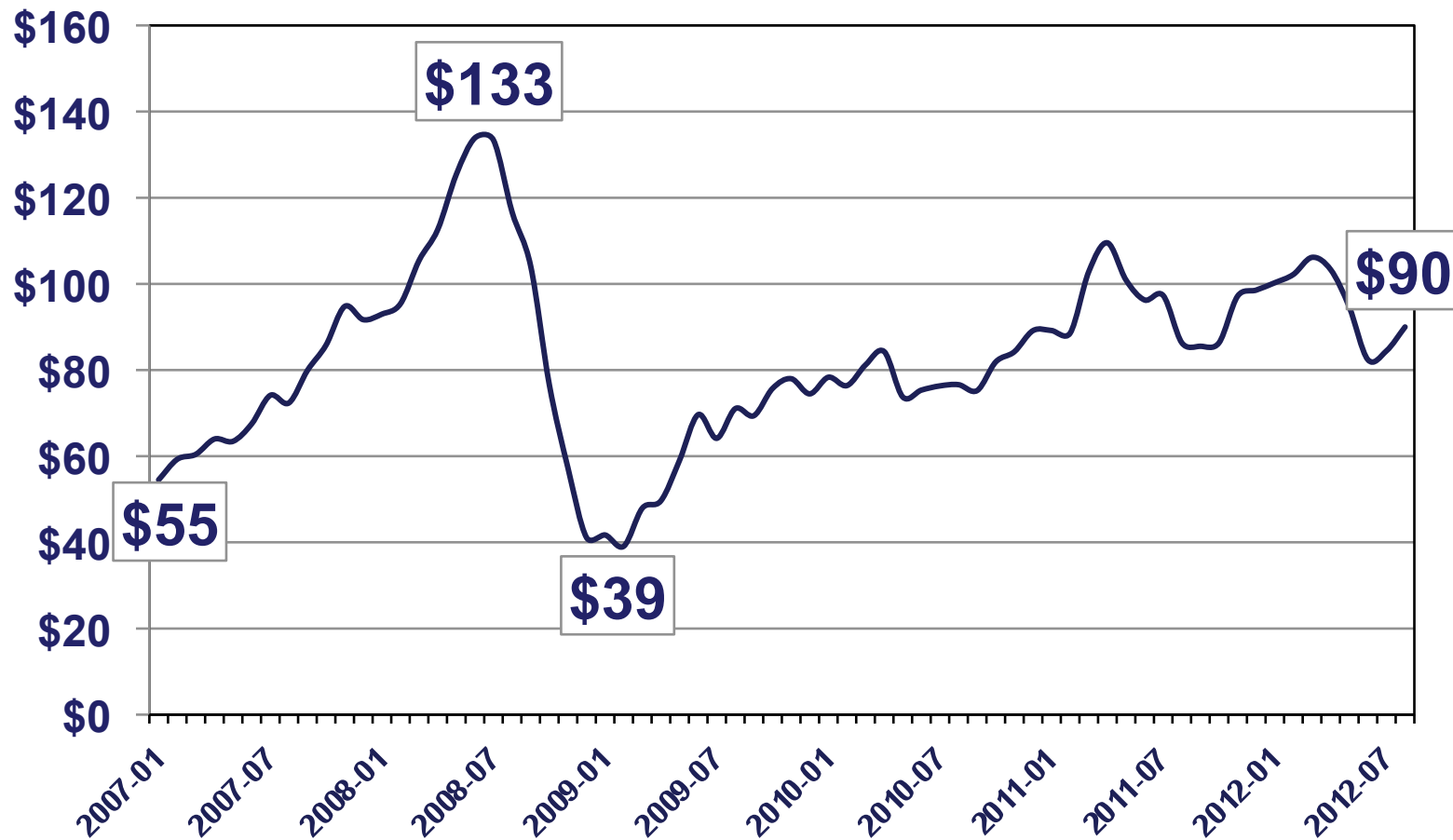


Northwest Arkansas Has Relatively Good Air Service to 16 Destinations on Five Airlines

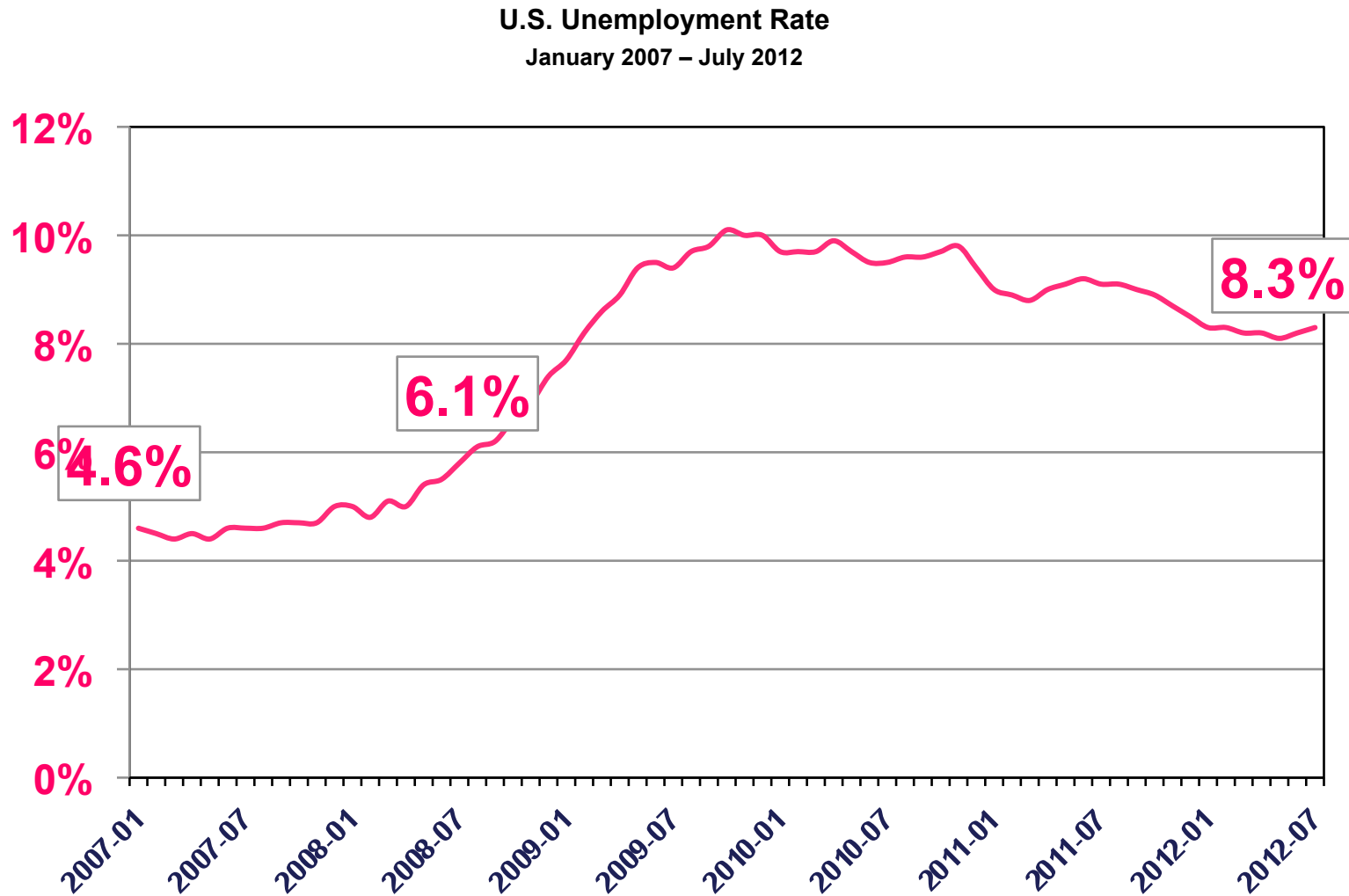


The Spike in the Cost of Oil Throughout 2007 and 2008 Forced Airlines to React by Reducing Capacity

Average Monthly Cost of Oil per Barrel (WTI)
January 2007 – August 2012



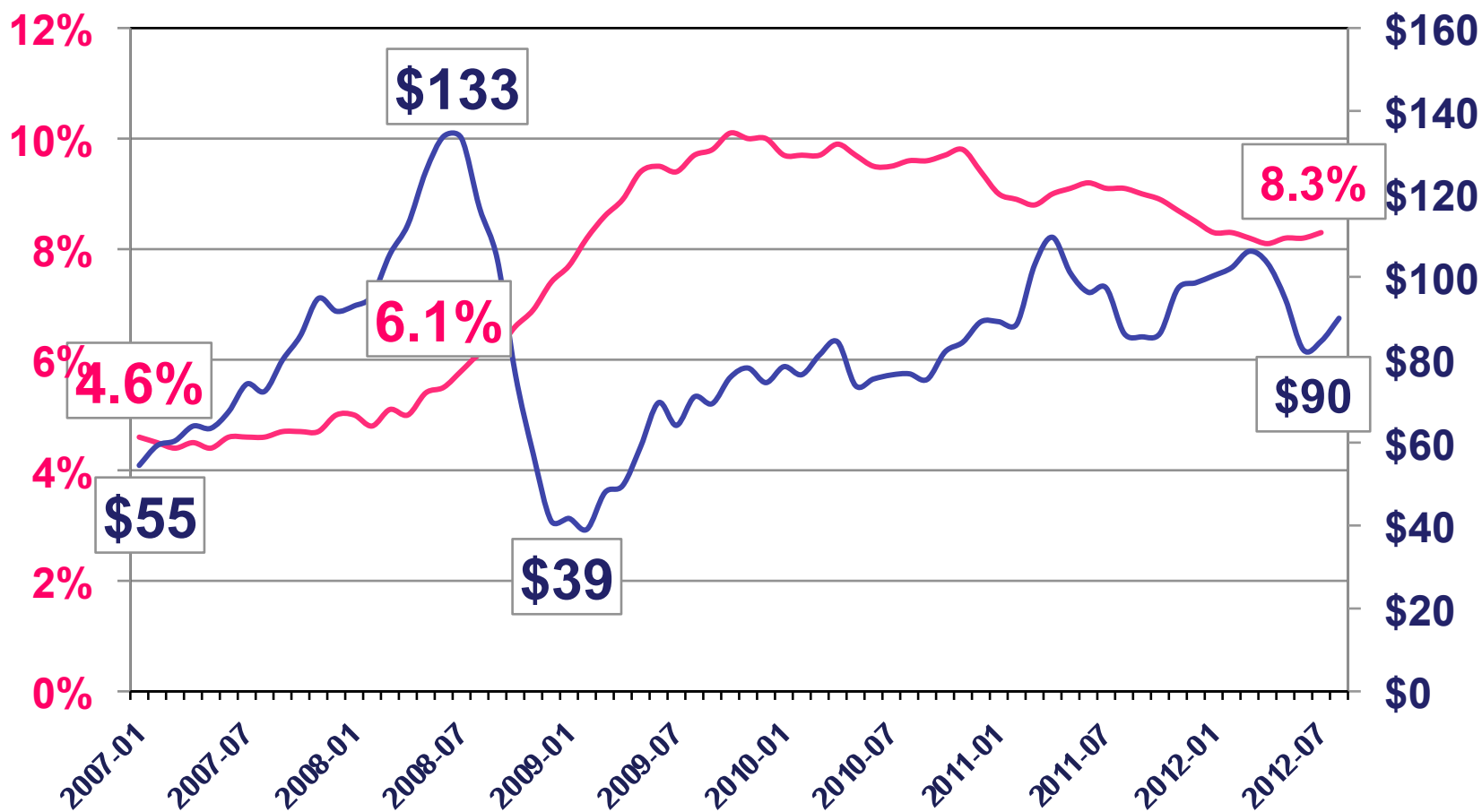
The U.S. Entered the Recession in 2008, and the Unemployment Rate Increased Above 6.1% for the First Time in August 2008



It Was a Perfect Storm – Just as Airlines Began to Experience Relief from Fuel Costs, Business Travel Began to Decline

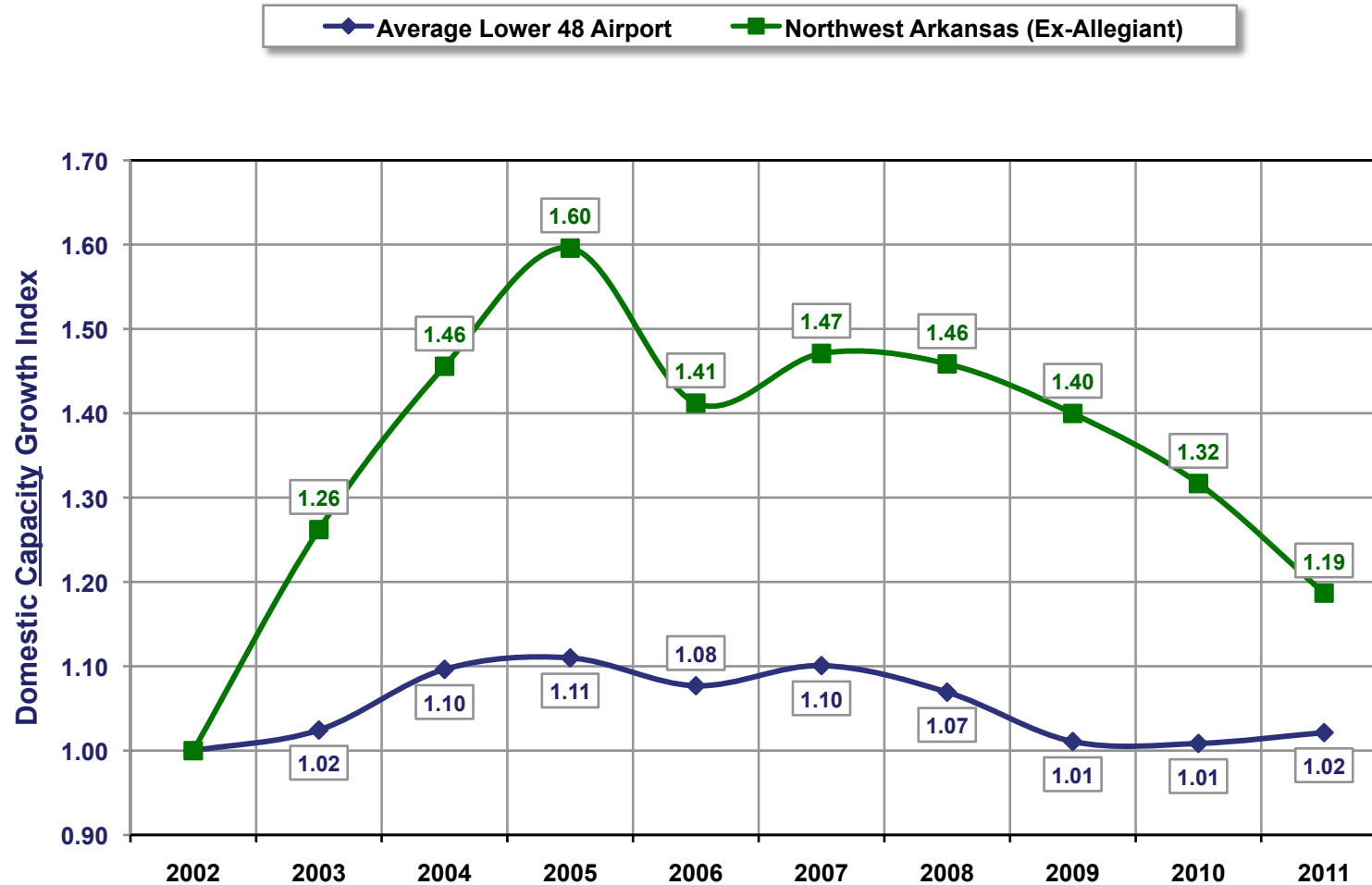
U.S. Unemployment Rate and Oil Cost per Barrel (WTI)

January 2007 – July (Unemployment) and August (Oil) 2012



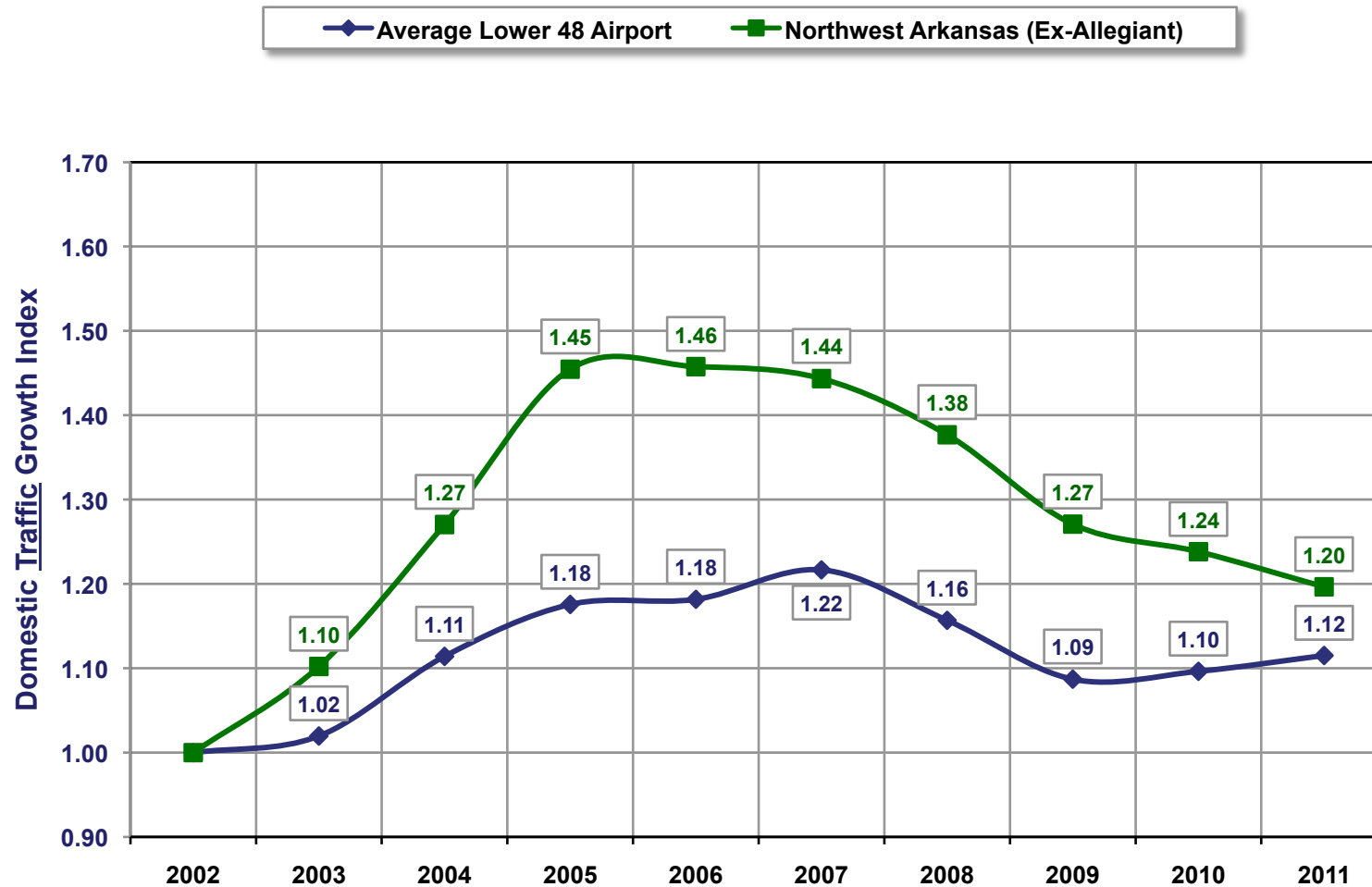
Over the Last Ten Years, Northwest Arkansas Capacity Growth Has Outpaced Capacity Growth at the Average Lower 48 Airport

Northwest Arkansas Regional Airport and Average Lower 48 Airport Domestic Capacity Growth Index
Year-End Fourth Quarter (Excludes Allegiant Data)



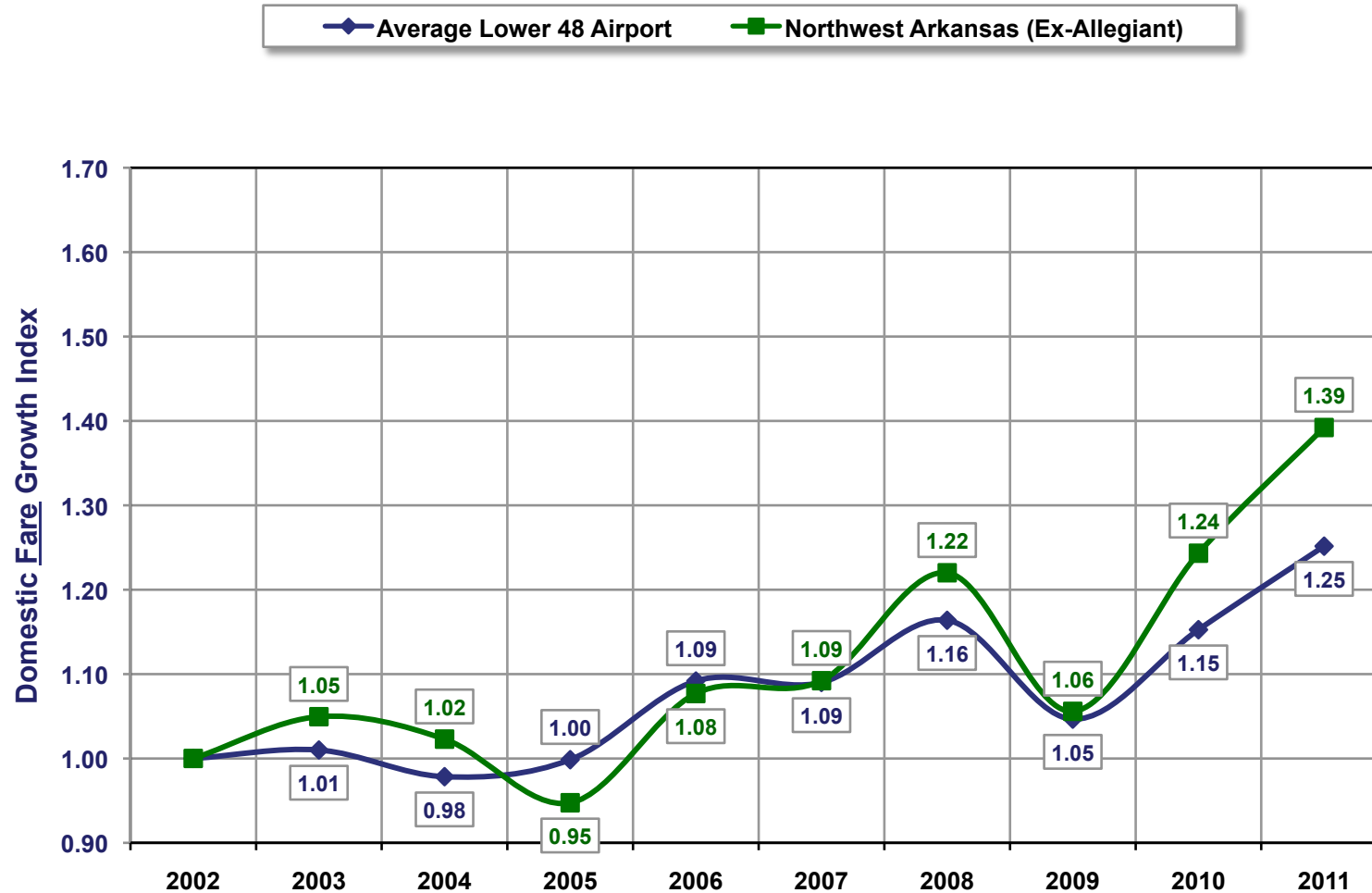
Traffic Growth since 2002 Was Higher than the Average Lower 48 Airport, and Northwest Arkansas Has Sustained Traffic at a Higher Level

Northwest Arkansas Regional Airport and Average Lower 48 Airport Domestic Traffic Growth Index
Year-End Fourth Quarter



Since 2009, Northwest Arkansas Domestic Fares Have Increased at a Higher Rate than Fare Increases at the Average Lower 48 Airport

Northwest Arkansas Regional Airport and Average Lower 48 Airport Domestic Fare Growth Index
Year-End Fourth Quarter



In the First Six Months of 2012, the Largest Airlines Reported Full Year 2011 Earnings 32% Higher than the Same Period in 2011

Operating Income

Six Months Ending June 2012 vs. Six Months Ending June 2011

Carrier	Six Months Ending June		Change	% Change
	2012	2011		
American	\$53	(\$309)	\$362	117%
Delta	\$516	\$389	\$127	33%
United/Continental	\$304	\$842	(\$538)	-64%
US Airways	\$463	\$138	\$325	236%
Legacy Total	\$1,336	\$1,060	\$276	26%
Alaska	\$188	\$192	(\$4)	-2%
Allegiant	\$78	\$49	\$30	61%
JetBlue	\$219	\$131	\$88	67%
Southwest/Airtran	\$481	\$321	\$160	50%
Spirit	\$92	\$62	\$31	49%
LCC Total	\$1,059	\$754	\$997	40%
Grand Total	\$2,395	\$1,814	\$581	32%

Source: Airline Second Quarter Financial Statements

Legacy Carrier Capacity Declined 0.7% in the First Six Months of 2012; Low-Cost Carriers Increased Capacity 12.2%

Available Seat Miles Flown

Six Months Ending June 2012 vs. Six Months Ending June 2011

Carrier	Six Months Ending June		Change	% Change
	2012	2011		
American	83.0	83.6	-0.7	-0.8%
Delta	113.8	116.4	-2.6	-2.2%
United/Continental	125.0	125.2	-0.2	-0.2%
US Airways	44.2	43.3	0.9	2.0%
Legacy Total	365.9	368.5	-2.6	-0.7%
Alaska	13.7	13.1	0.7	5.0%
Allegiant	3.5	2.9	0.6	21.2%
JetBlue	19.5	18.0	1.5	8.6%
Southwest/AirTran	63.9	56.0	7.9	14.1%
Spirit	5.4	4.6	0.8	17.1%
LCC Total	106.0	94.5	101.4	12.2%
Grand Total	471.9	463.0	8.9	1.9%

Source: Airline Second Quarter Financial Statements

Legacy Carrier Capacity in the Second Half of 2012 Versus 2011 Will Be Flat, and Low Cost Carrier Capacity Will Vary By Carrier

Available Seat Miles Scheduled

Six Months Ending December 2012 vs. Six Months Ending December 2011

Carrier	Six Months Ending December		Change	% Change
	2012	2011		
American	86.6	86.3	0.3	0.4%
Delta	120.6	121.7	-1.1	-0.9%
United/Continental	127.2	127.2	0.0	0.0%
US Airways	45.0	44.1	1.0	2.2%
Legacy Total	379.4	379.3	0.1	0.0%
Alaska	16.1	15.0	1.1	7.5%
Allegiant	3.1	2.8	0.3	9.5%
JetBlue	20.9	19.5	1.3	6.9%
Southwest/AirTran	65.6	66.4	-0.8	-1.3%
Spirit	6.0	4.8	1.2	26.1%
LCC Total	111.7	108.5	106.9	2.9%
Grand Total	491.0	487.8	3.3	0.7%

Source: Official Airline Guide Data

Legacy Carriers Will Reduce the Number of Seats Operated By Regional Aircraft 2.6% in the Second Half of 2012 versus 2011

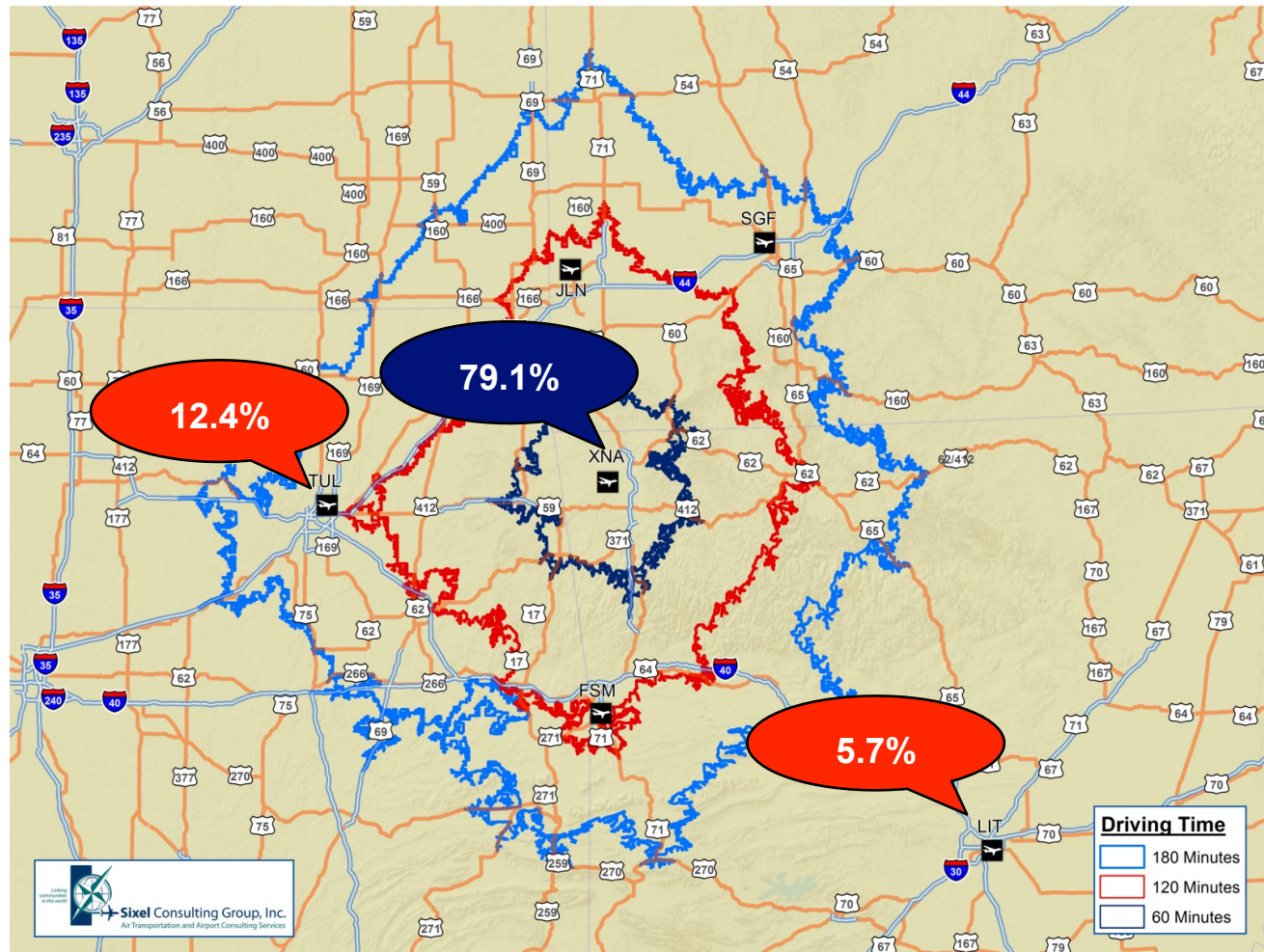
Mainline Versus Regional Fleet Scheduled Seat Change Six Months Ending December 2012 vs. Six Months Ending December 2011

Carrier	Six Months Ending December 2012 vs. 2011	
	Mainline	Regional
American	0.1%	-1.4%
Delta	4.2%	-7.8%
United/Continental	-3.4%	1.9%
US Airways	2.9%	-1.3%
Legacy Total	0.8%	-2.6%
Alaska	2.3%	6.9%
Allegiant	6.7%	
JetBlue	7.4%	
Southwest/AirTran	-2.9%	
Spirit	24.9%	
LCC Total	0.2%	6.9%
Grand Total	0.6%	-2.2%

Source: Official Airline Guide Data

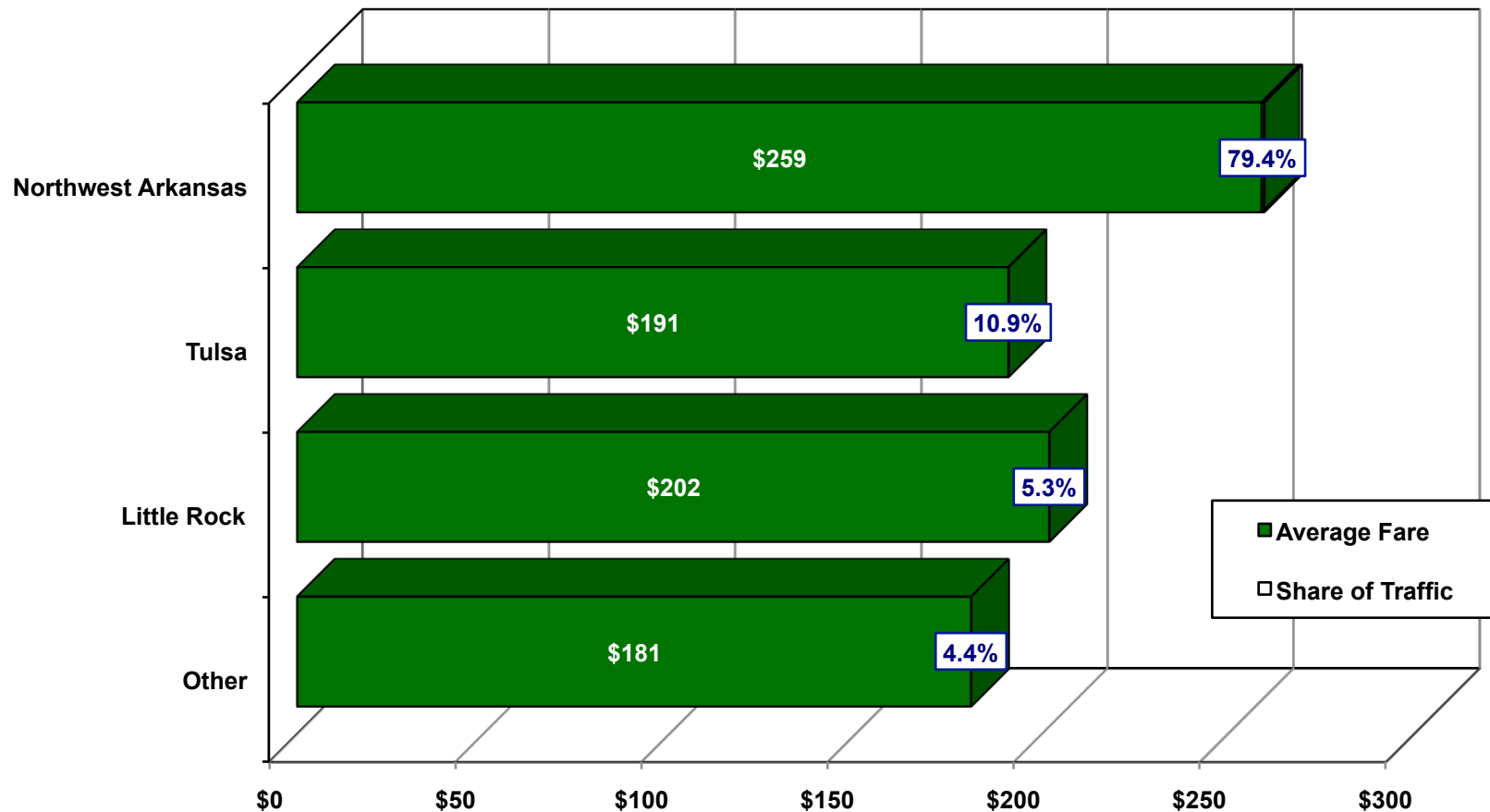
Northwest Arkansas Regional Airport Captures 79.1% of All Traffic Generated in Its Catchment Area; Tulsa Captures 12.4% of the Traffic

Northwest Arkansas Catchment Area Traffic Captured at Northwest Arkansas and Surrounding Airports
Year-End Fourth Quarter 2010 Data



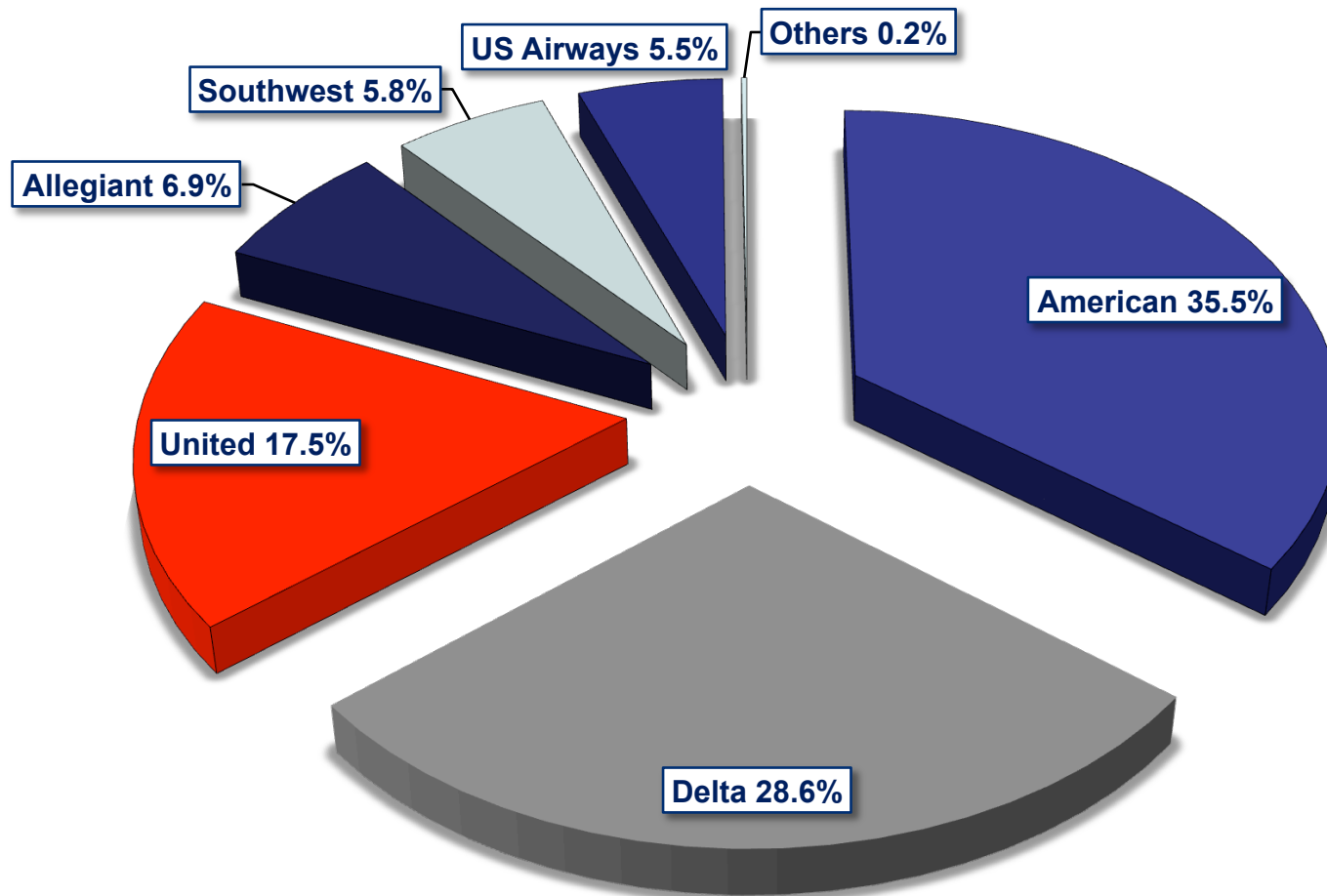
The Average One-Way Fare Paid by All Traffic Originating at Northwest Arkansas Was \$259; the Average Fare Paid at Tulsa Was \$191

Average Fare by Airport Paid by Northwest Arkansas Originating Passengers
Year-End Fourth Quarter 2010 Data



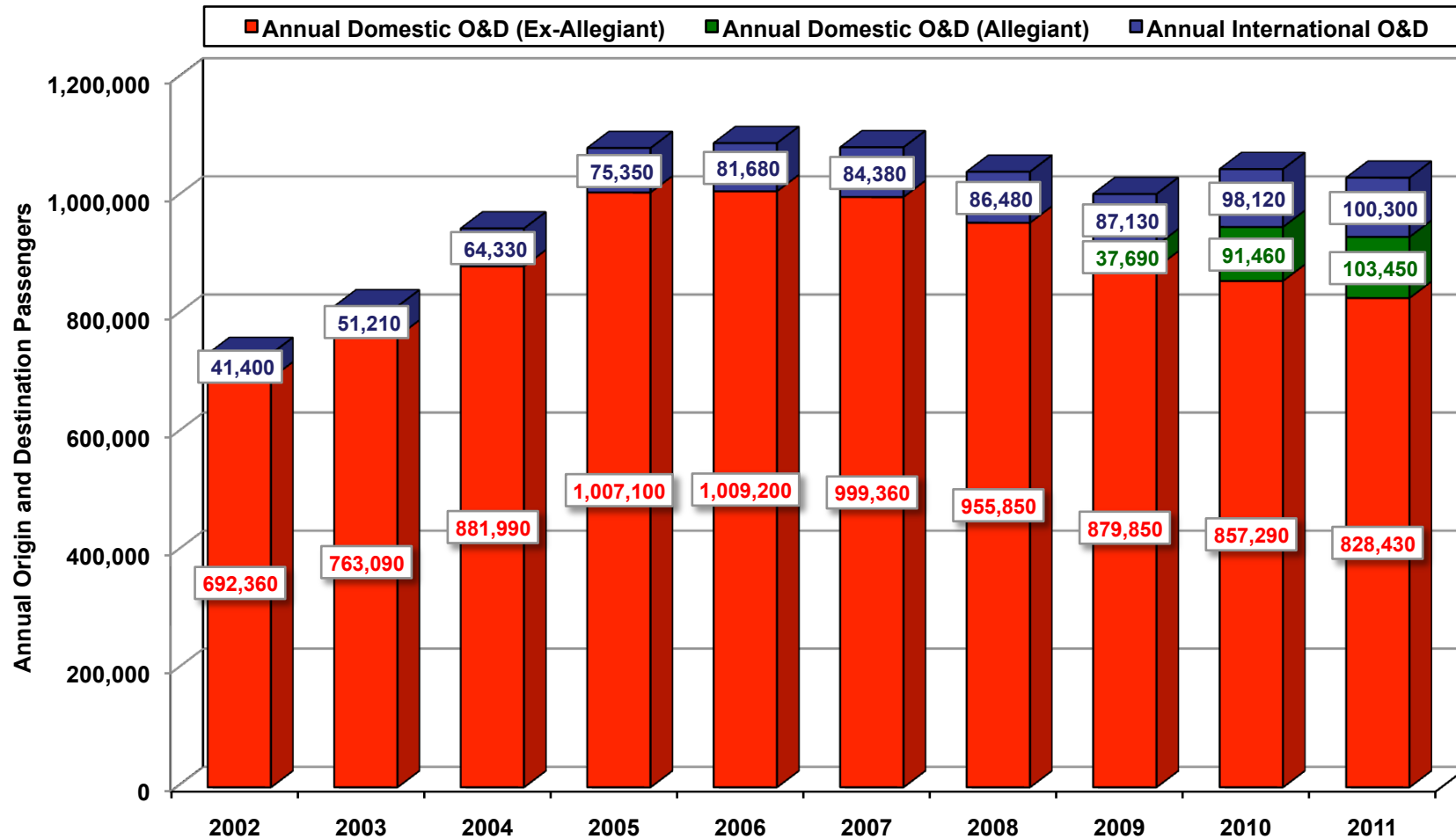
American Captured 35.5% of the Traffic Originating in the Catchment Area of Northwest Arkansas Regional Airport; Delta Captured 28.6%

Market Share by Carrier of Northwest Arkansas Regional Airport Catchment Area Traffic
Year-End Fourth Quarter 2010



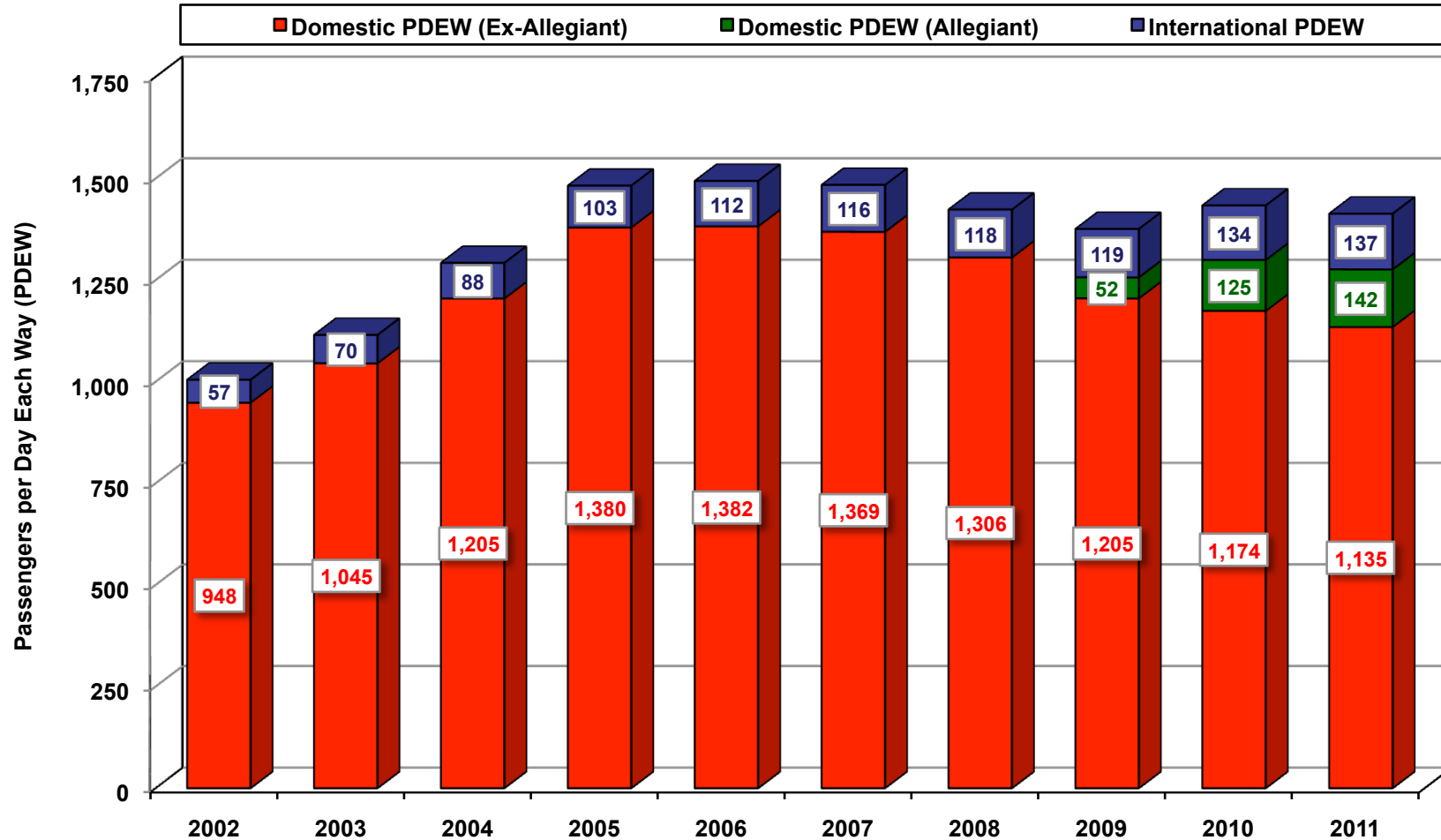
Northwest Arkansas Traffic Peaked in Year-End Fourth Quarter 2006; International Traffic Increased to a New High in 2011

Northwest Arkansas Domestic and International Annual O&D Passengers
Year-End Fourth Quarter



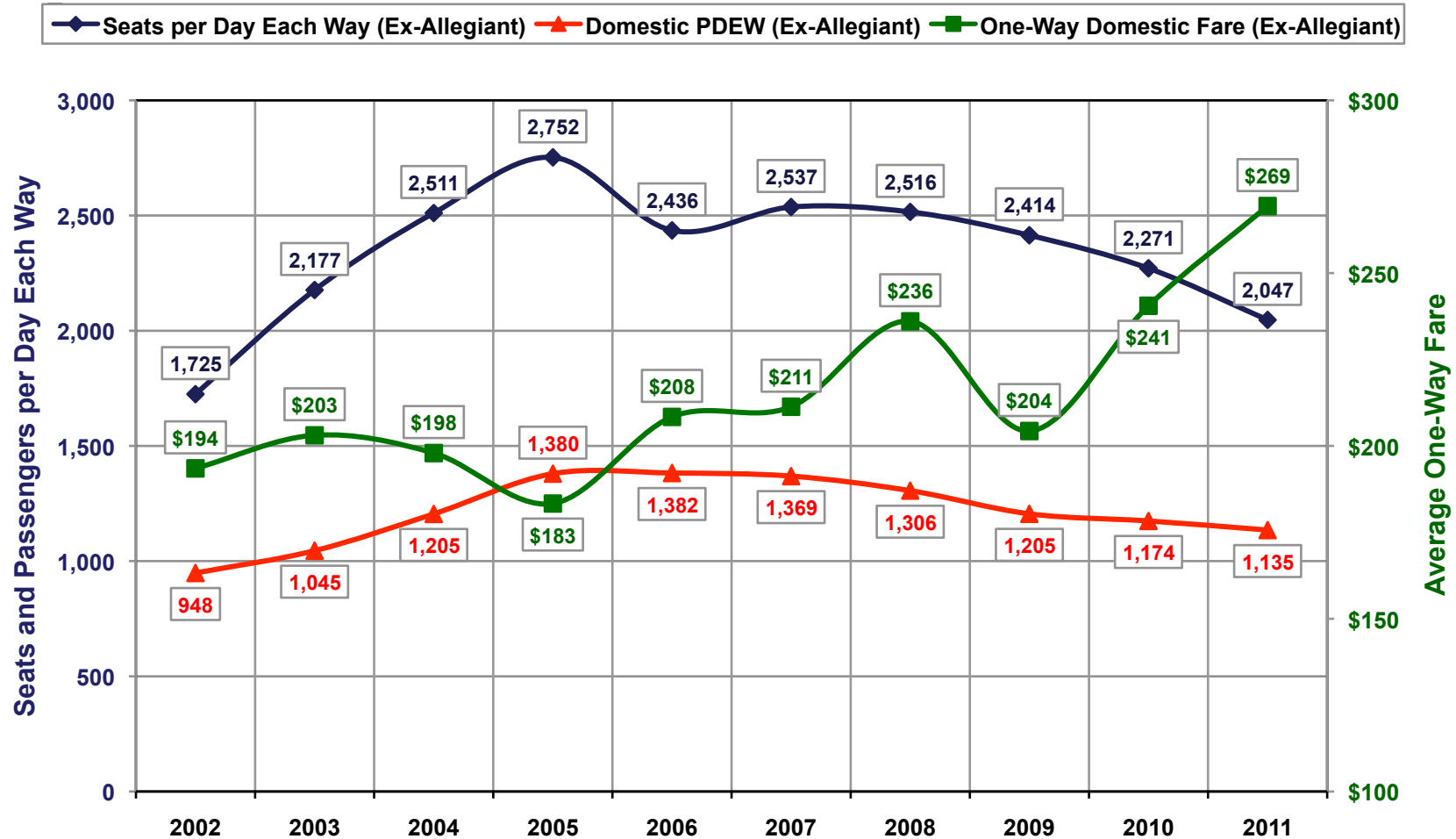
2011 Annual O&D Domestic Data Translates to 1,135 Network Carrier PDEW, 142 Allegiant PDEW and 137 International PDEW

Northwest Arkansas Domestic and International Passengers per Day Each Way (PDEW)
Year-End Fourth Quarter



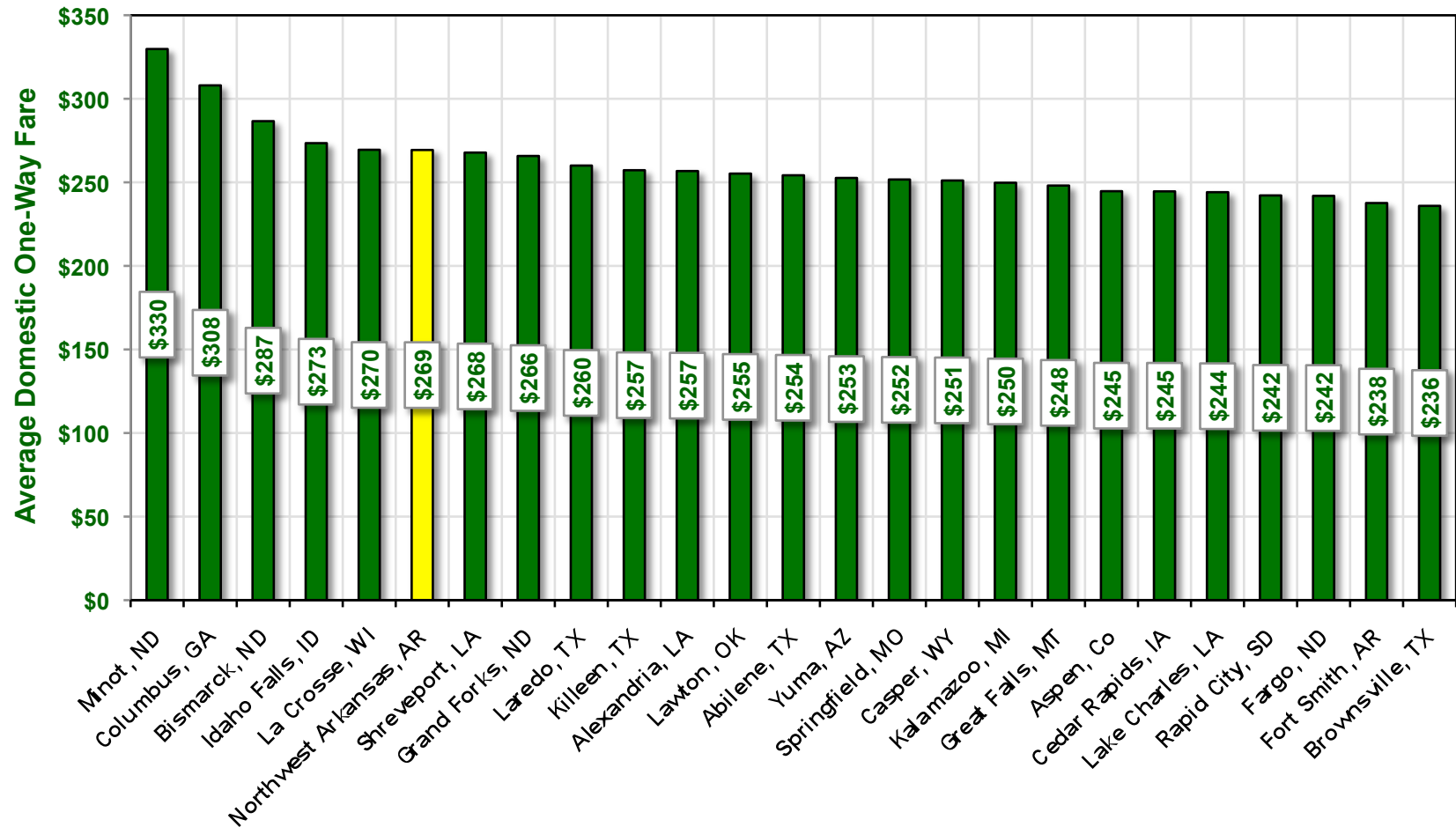
Since 2006 When Traffic Peaked, Ex-Allegiant Capacity Is down 16.0% Domestic Traffic Is down 17.9%, and the Average Fare Is up 29.3%

Seats, Domestic Passengers per Day Each Way and Average Domestic One-Way Fare
Year-End Fourth Quarter (Excludes Allegiant Data)



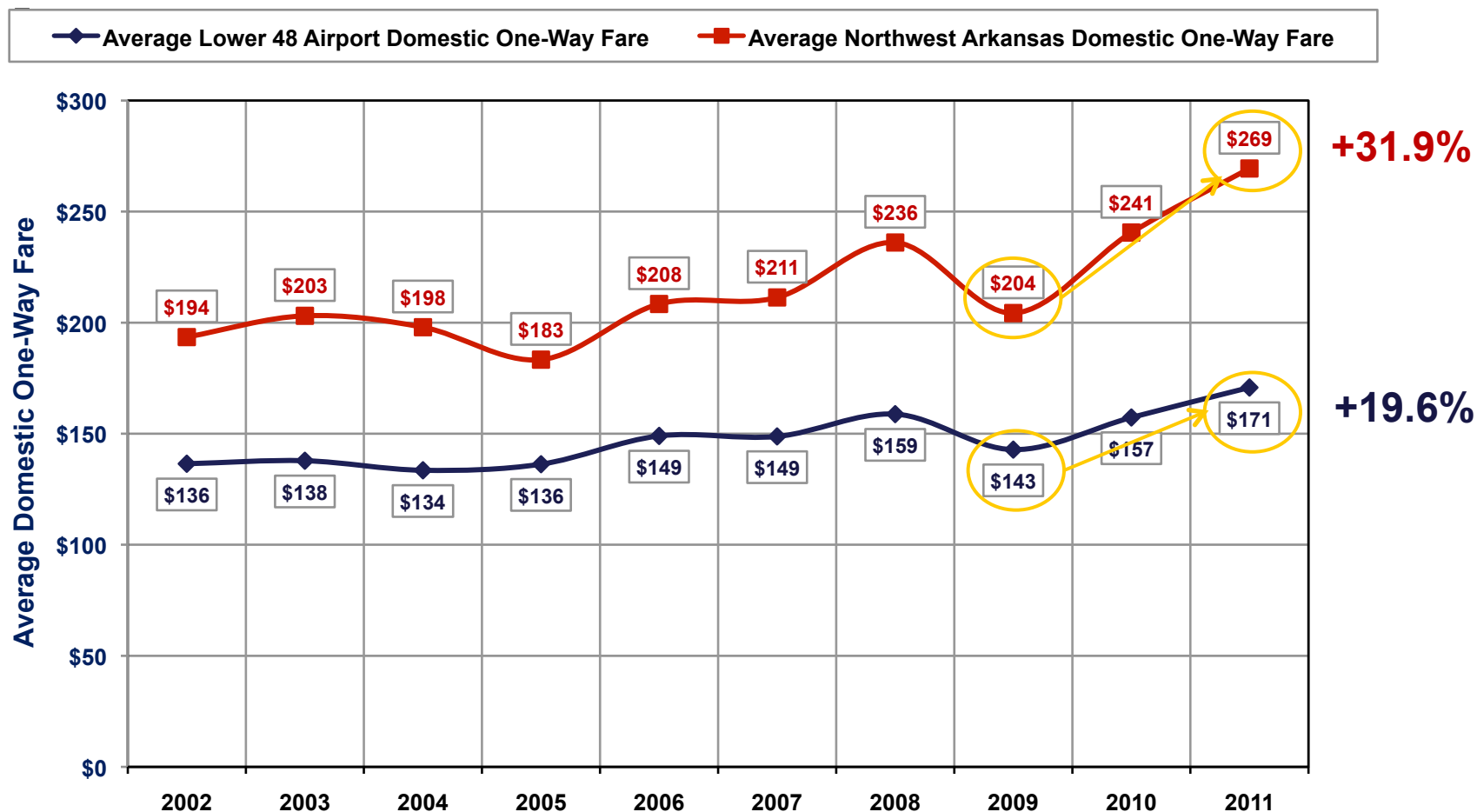
The Average Fare of \$269 at Northwest Arkansas in 2011 Ranked as the Sixth Highest Fare Among Lower 48 Airports with at Least 100,000 O&Ds

Average Domestic Fare at the 25 Highest Fare Lower 48 Airports with at Least 100,000 Domestic O&D Passengers
Year-End Fourth Quarter 2011 (Excludes Allegiant Data)



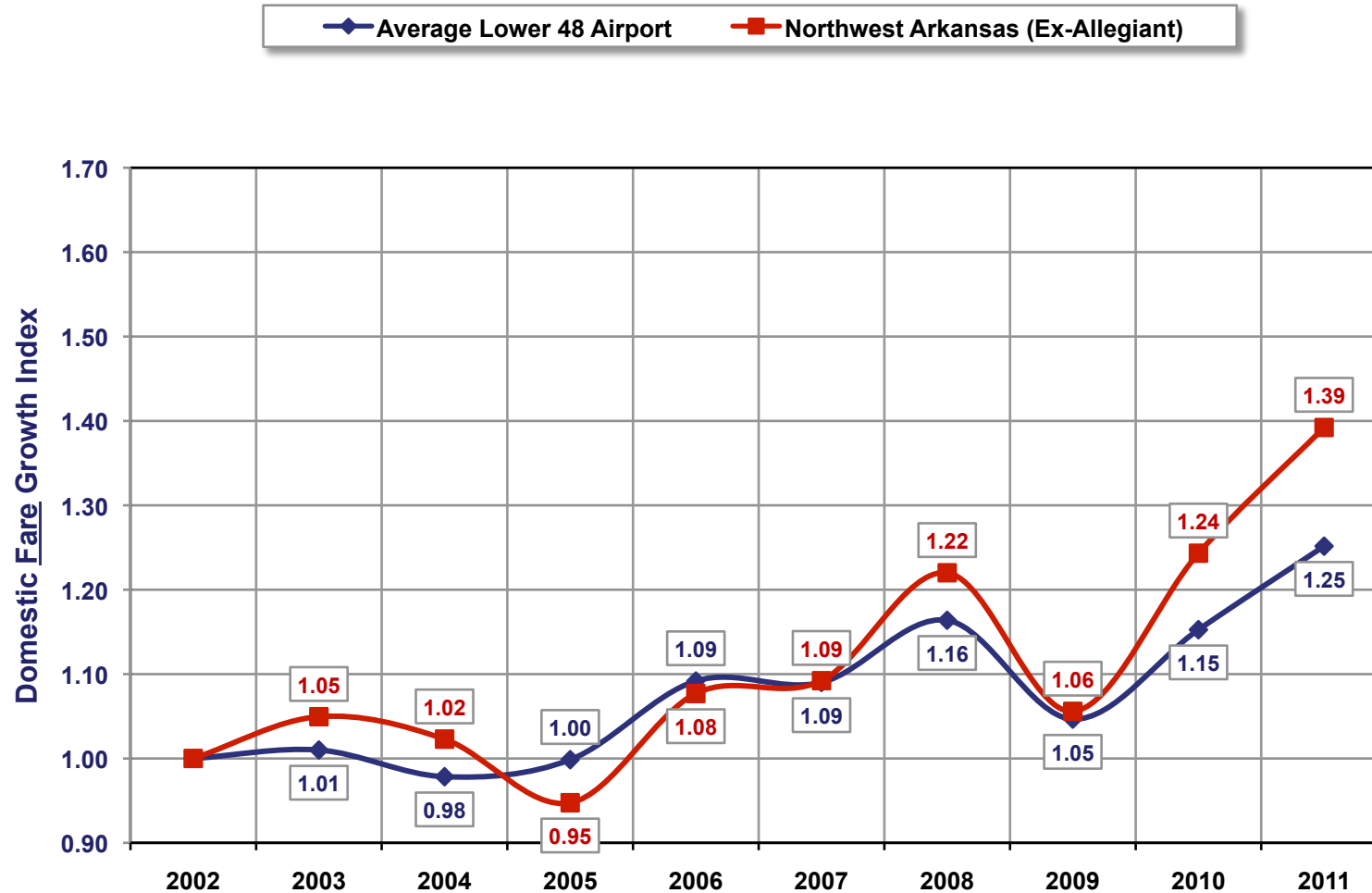
In 2011, the Average Northwest Arkansas Domestic Fare of \$269 Was 57.7% Higher than the Fare at the Average Lower 48 Airport

Average Domestic Fares – All Lower 48 Airports Versus Northwest Arkansas
Year-End Fourth Quarter (Excludes Allegiant Data)



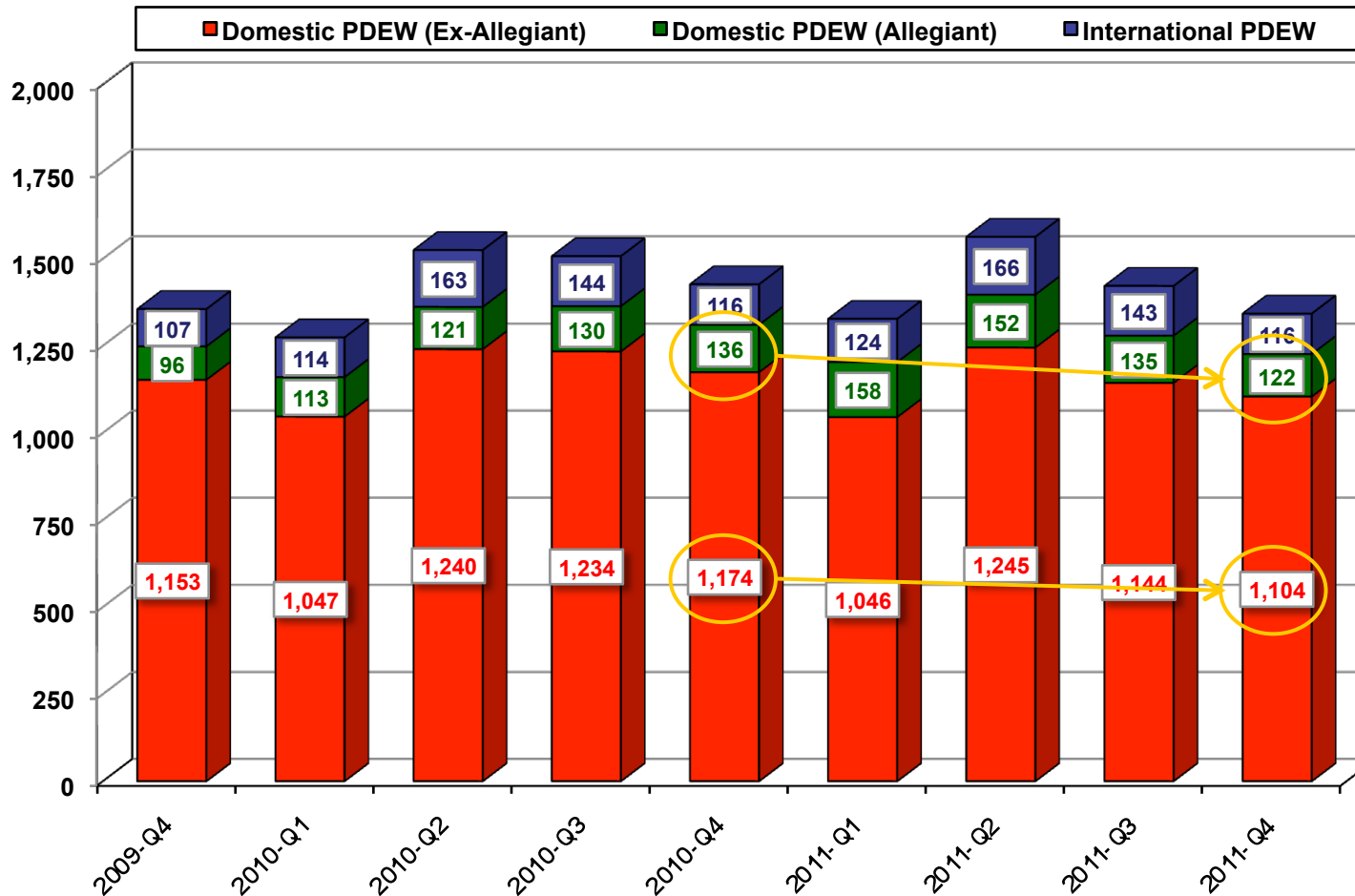
Since 2009, Northwest Arkansas Domestic Fares Have Increased at a Much Higher Rate than Fare Increases at the Average Lower 48 Airport

Northwest Arkansas Regional Airport and Average Lower 48 Airport Domestic Fare Growth Index
Year-End Fourth Quarter (Excludes Allegiant Data)



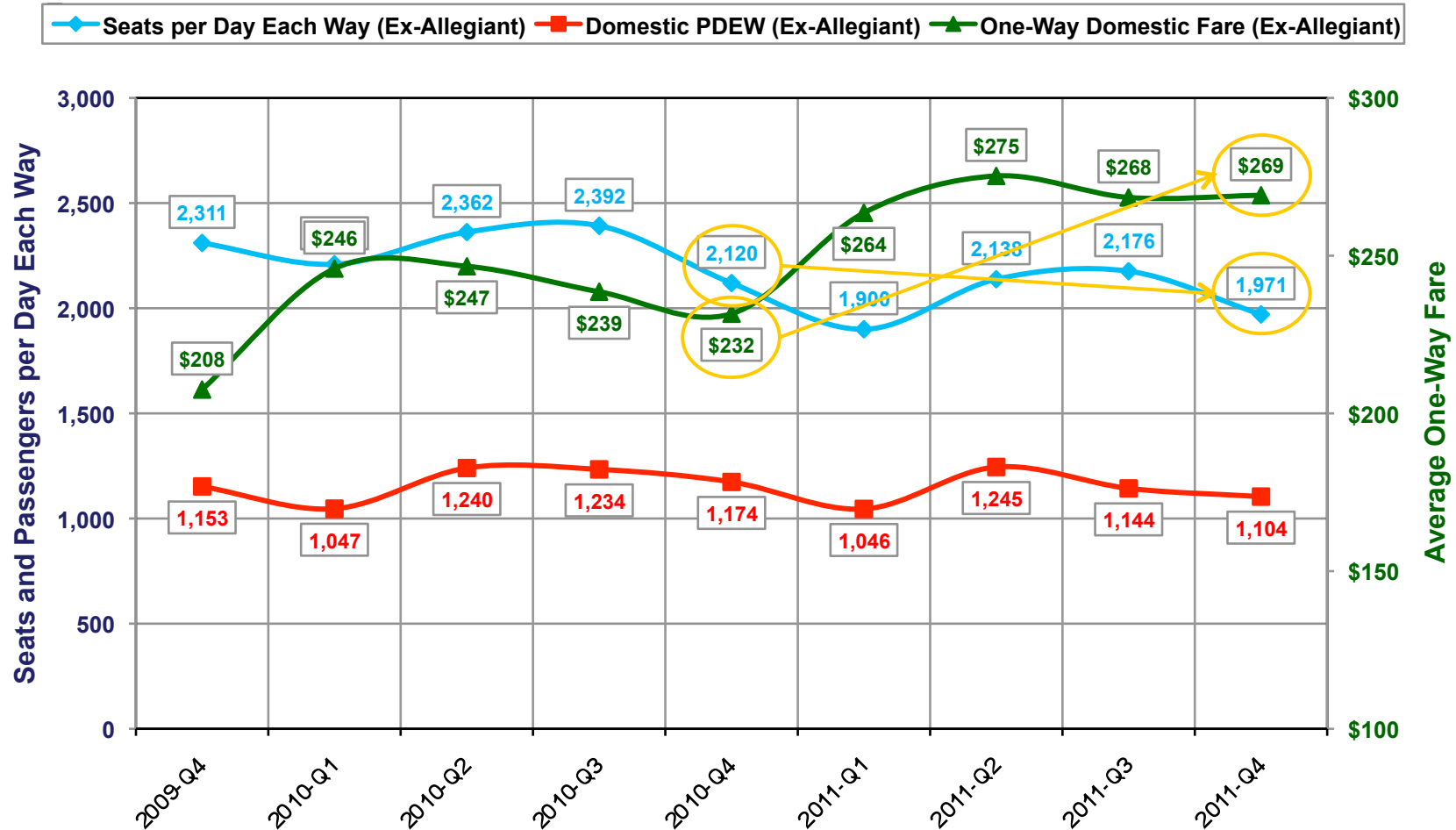
In Fourth Quarter 2011, Both Categories of Domestic Traffic Declined , but International Traffic Was Unchanged

Northwest Arkansas Domestic Passengers per Day Each Way (All Carriers)
Quarterly Data – Fourth Quarter 2009 through Fourth Quarter 2011



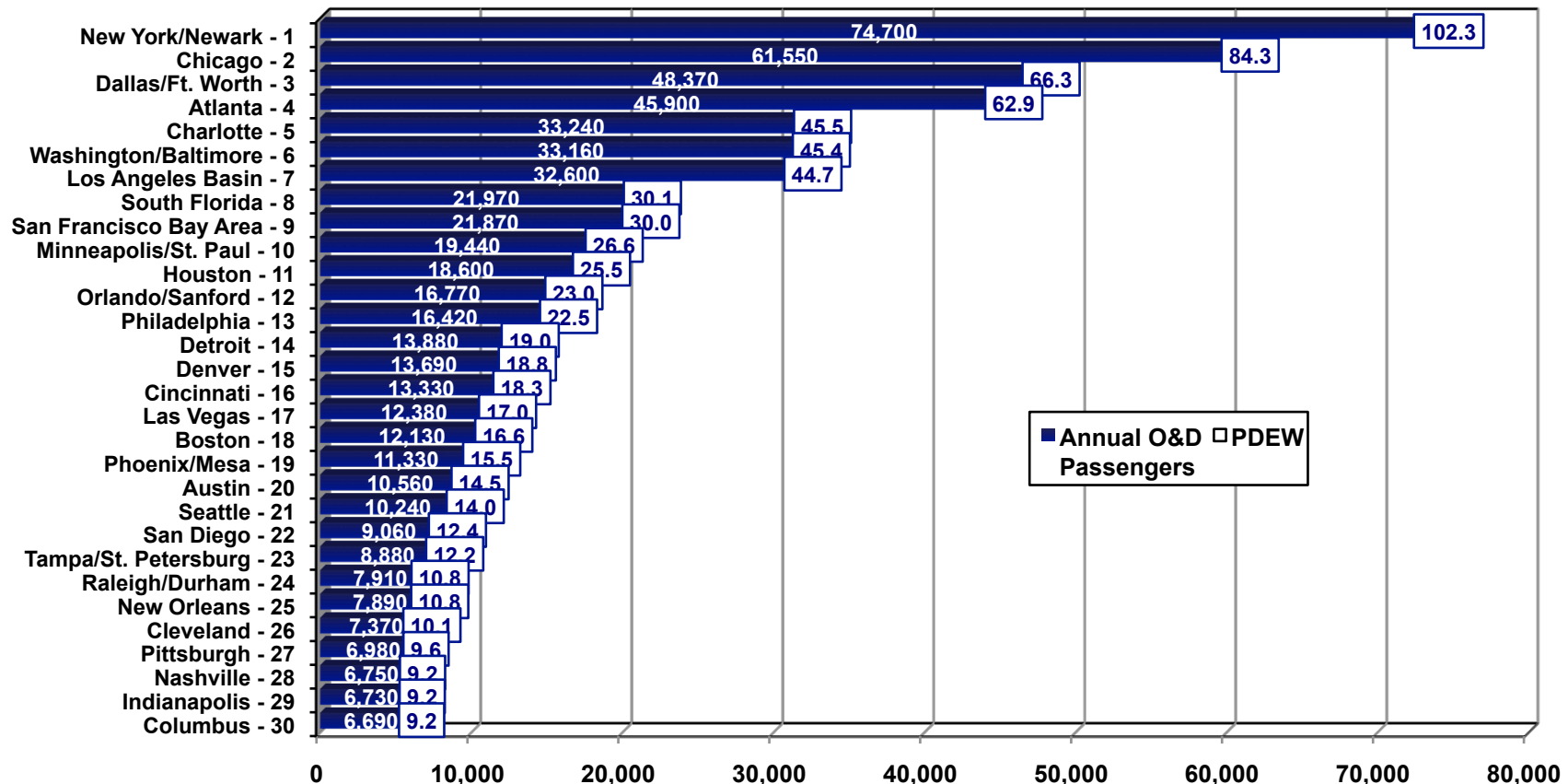
Northwest Arkansas Ex-Allegiant Capacity Declined 7.0% in Fourth Quarter 2011; and the Average Fare Increased 16.2%

Seats, Domestic Passengers per Day Each Way and Average Domestic One-Way Fare (All Carriers)
Quarterly Data – Fourth Quarter 2009 through Fourth Quarter 2011



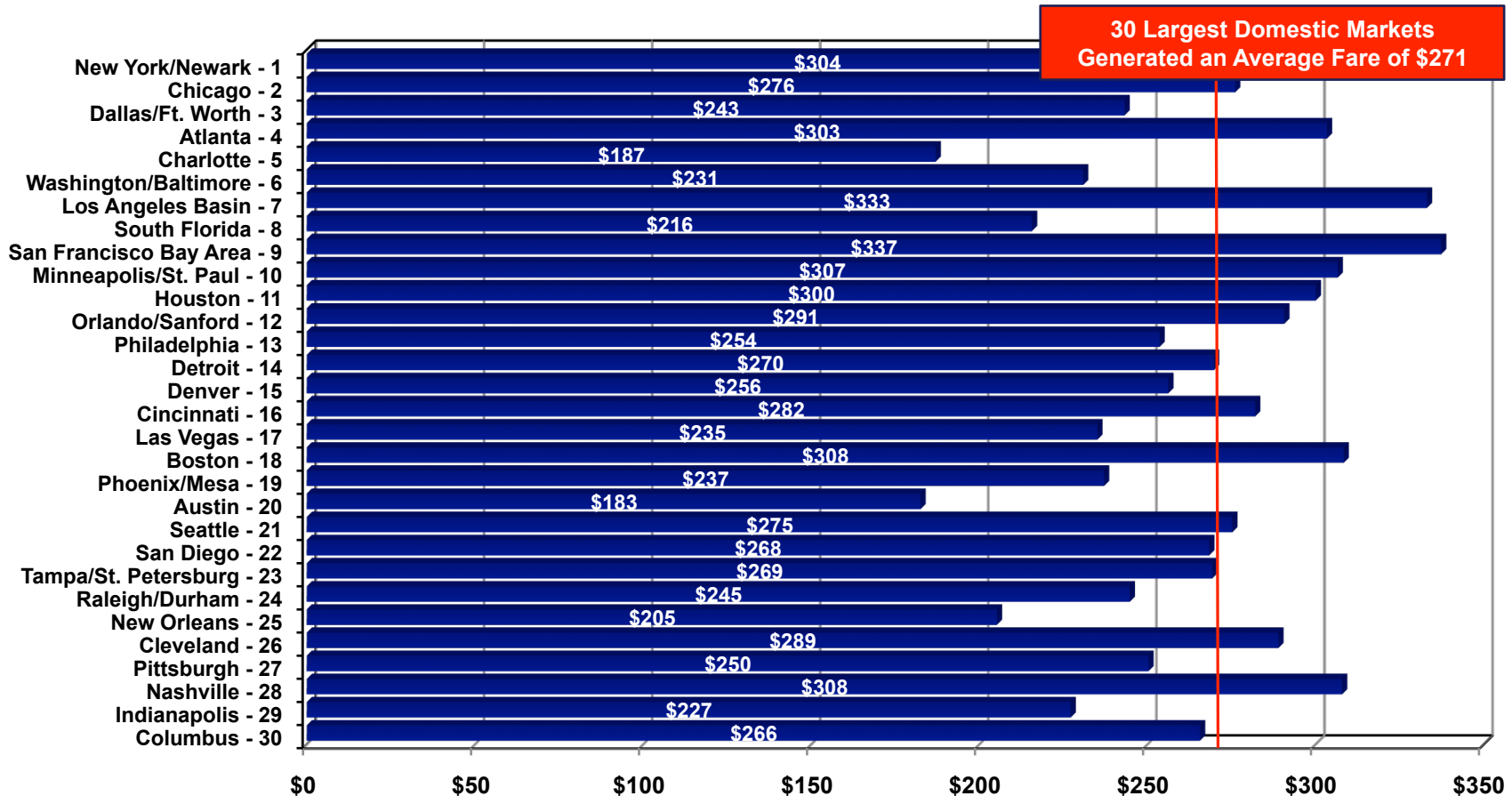
The Five Largest Domestic Markets at Northwest Arkansas Are New York/Newark, Chicago, Dallas/Ft. Worth, Atlanta, and Charlotte

30 Largest Domestic Markets at Northwest Arkansas
Year-End Fourth Quarter 2011 (Excludes Allegiant Data)



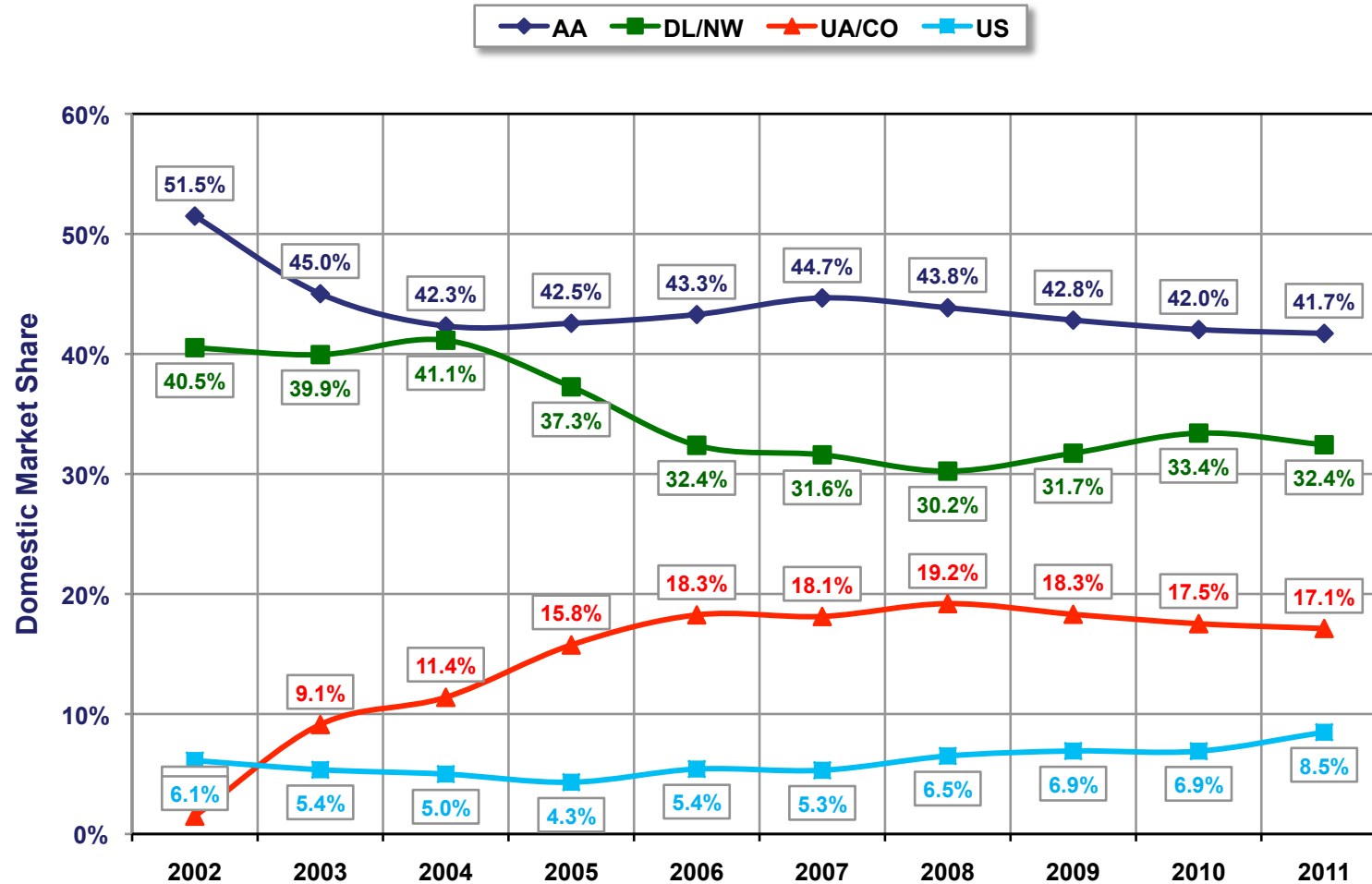
The Average One-Way Fare in the 30 Largest Northwest Arkansas Domestic Markets Was \$271 in the Year-End Fourth Quarter 2011

Average One-Way Fares in the 30 Largest Domestic Markets at Northwest Arkansas
Year-End Fourth Quarter 2011 (Excludes Allegiant Data)

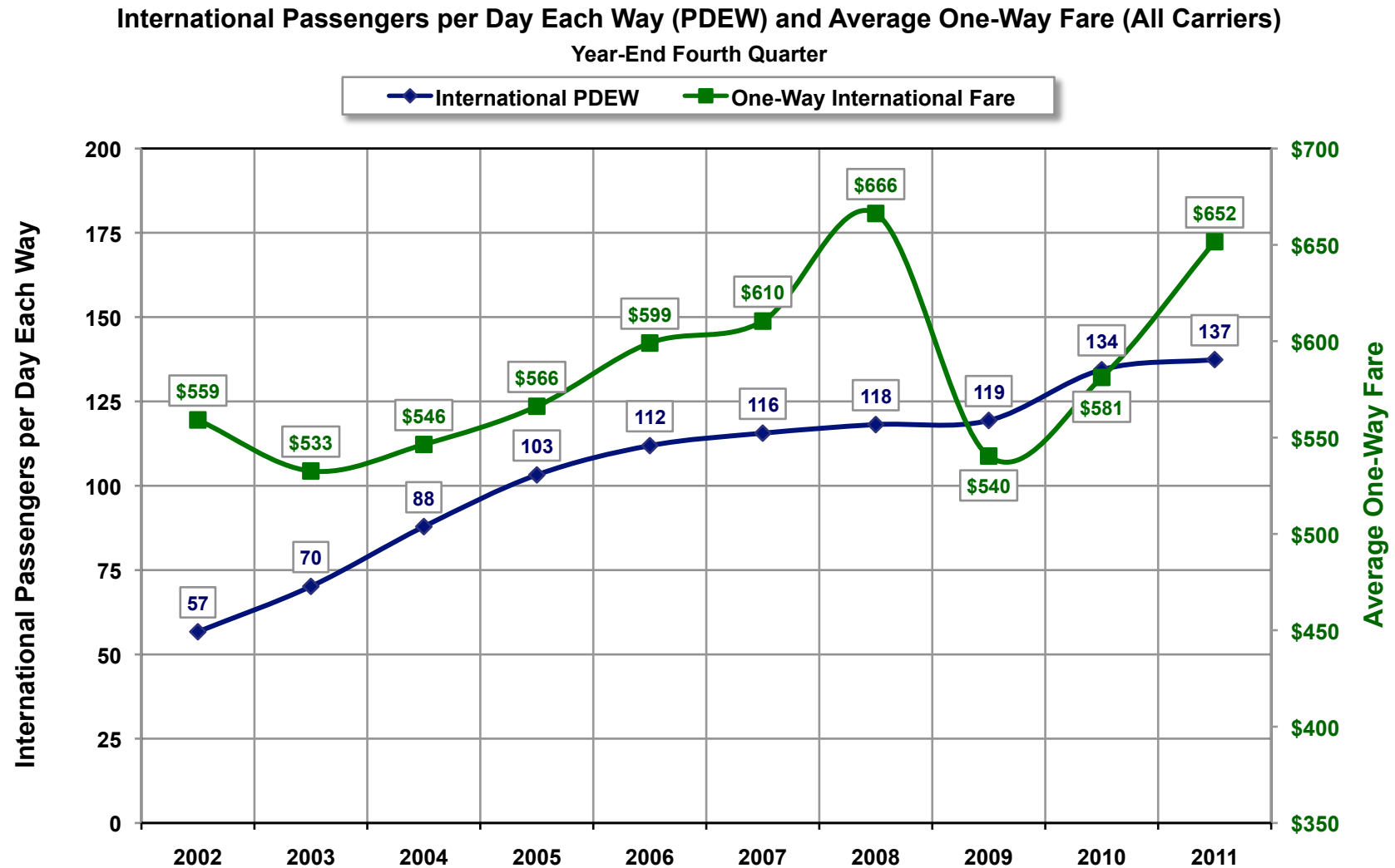


Although Its Share Has Declined Over the Last Ten Years, American Still Captured 41.7% of the Domestic Traffic in 2011

Northwest Arkansas Domestic Market Share Trend
Year-End Fourth Quarter (Excludes Allegiant Data)

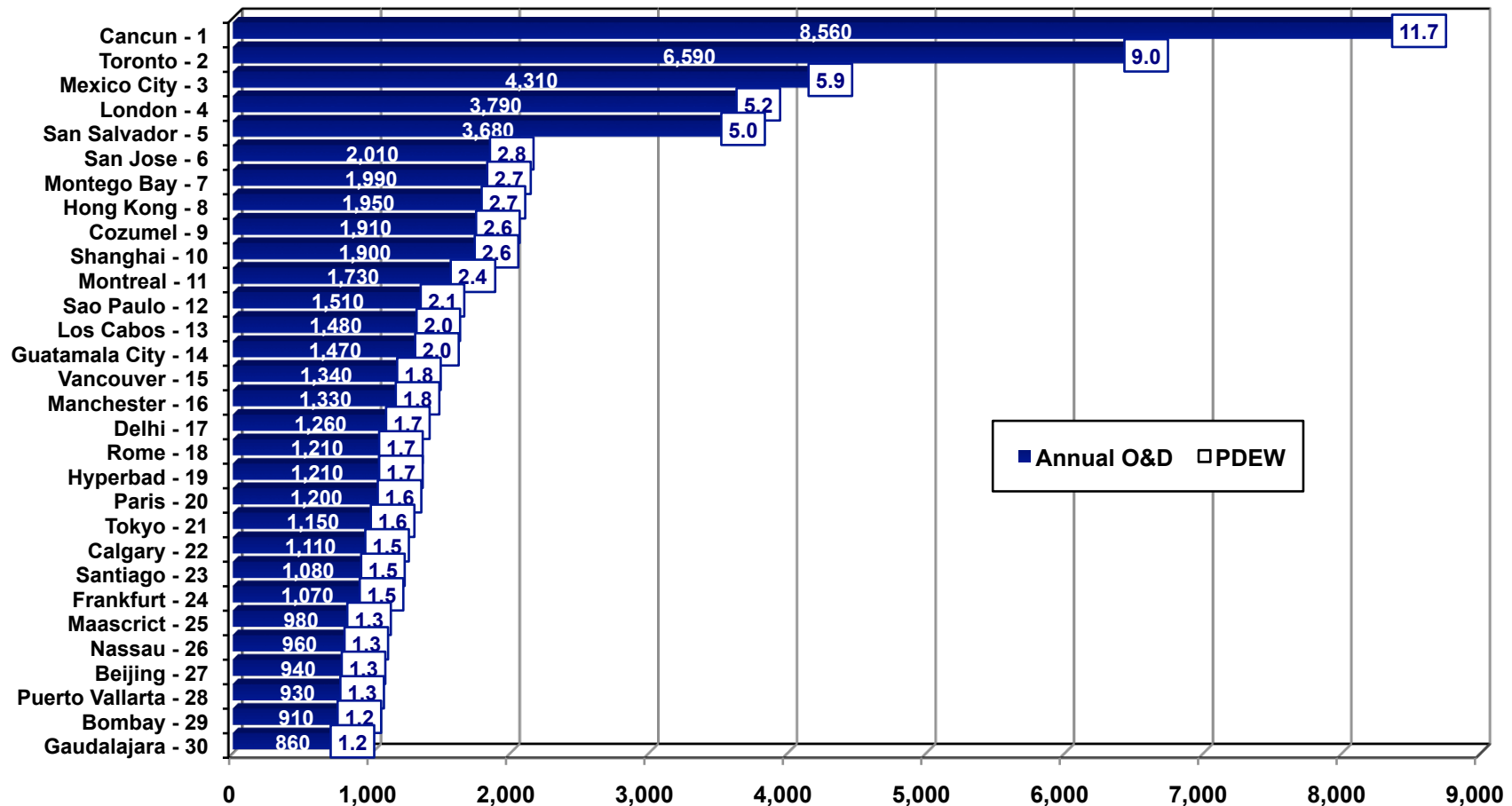


Northwest Arkansas International Traffic Increased to a New High of 137 PDEW in 2011; the Average International Fare Was \$652



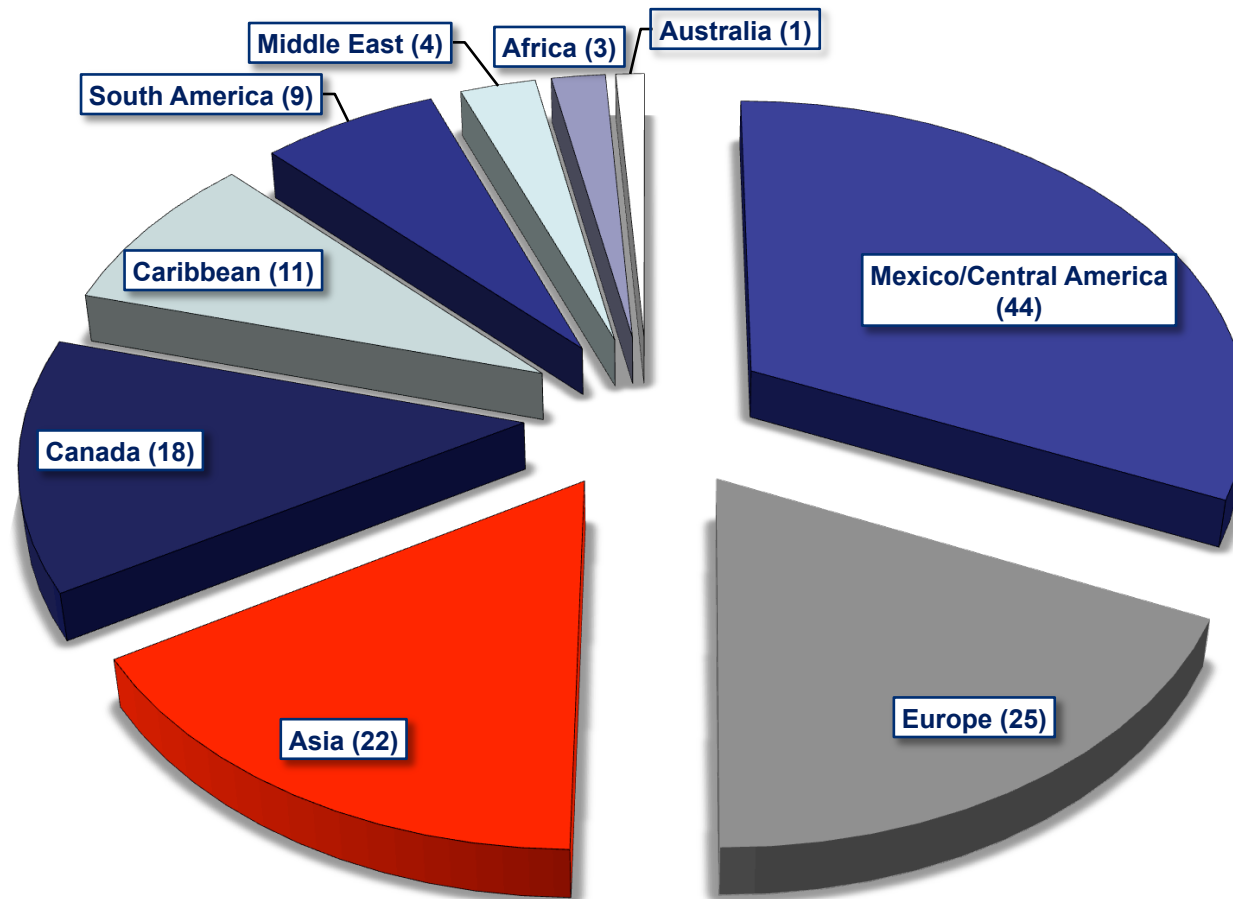
Cancun, Toronto, Mexico City, London and San Salvador Are Northwest Arkansas' Five Largest International Markets

30 Largest International Markets at Northwest Arkansas (All Carriers)
Year-End Fourth Quarter 2011



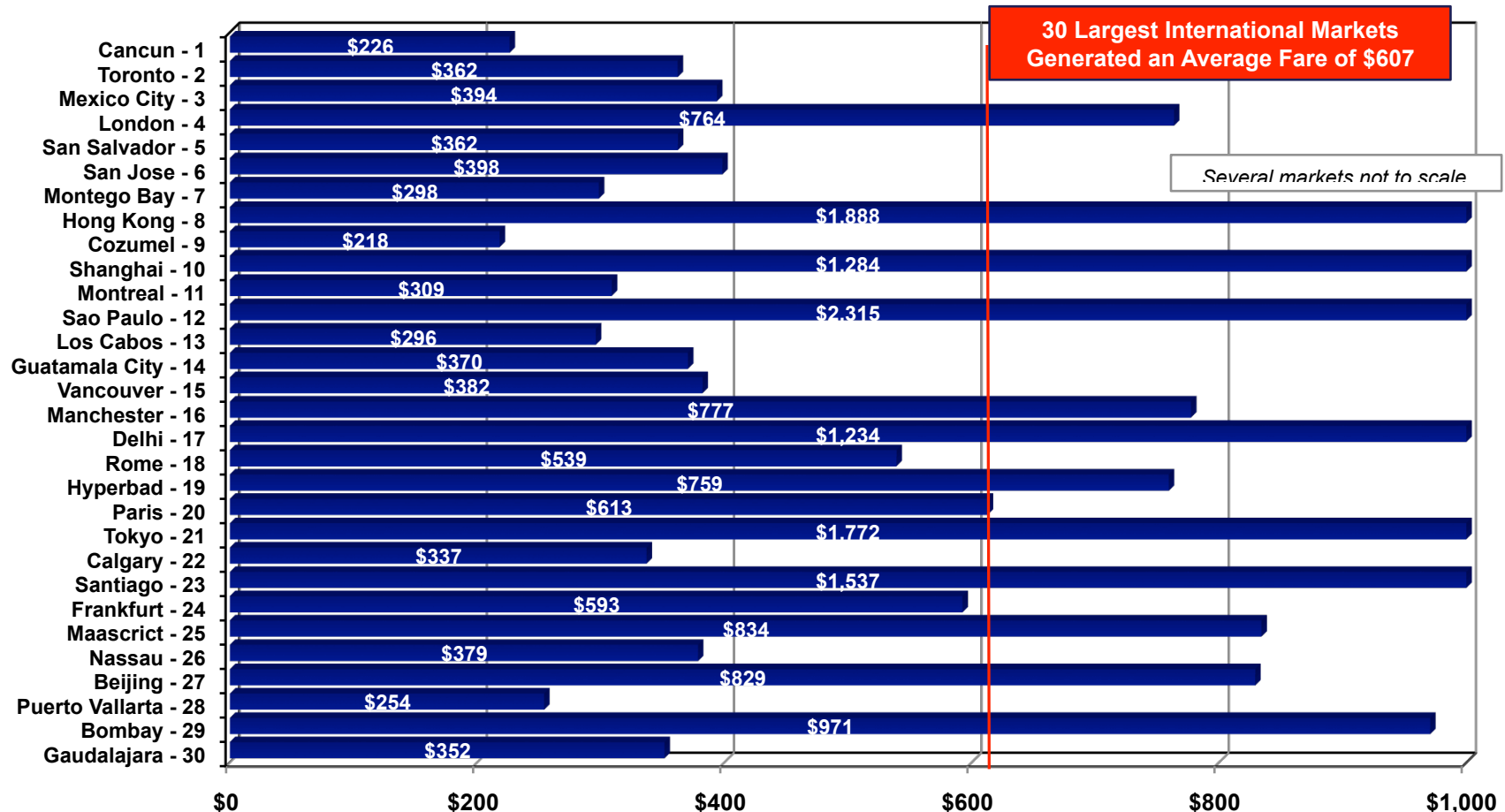
Destinations in Mexico and Central America Account for Nearly One-Third of the International Traffic at Northwest Arkansas

Northwest Arkansas International PDEW by World Region
Year-End Fourth Quarter 2011



The Average One-Way Fare in the 30 Largest International Markets at Northwest Arkansas Was \$607 in 2011

Average One-Way Fares in the 30 Largest International Markets at Northwest Arkansas (All Carriers)
Year-End Fourth Quarter 2011



There Are Numerous Opportunities to Further Develop Air Service at Northwest Arkansas Regional Airport

